

**UNEMPLOYMENT
INSURANCE
AGENCY**

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SOLVENCY TAX IS TEMPORARILY SUSPENDED

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (also known as the federal economic recovery package) were signed into law by President Obama on February 17, 2009. Among its provisions, it provided temporary assistance for states whose unemployment insurance (UI) trust funds had been forced to seek interest-bearing loans from the federal government. The new law provides a temporary waiver of interest payments and the accrual of interest on loans for the period February 17, 2009, through December 31, 2010.

Michigan legislature passes House Bill 4239

On March 11, 2009, Governor Granholm signed Act No.1 of the Public Acts of 2009 into law. This law will give Michigan businesses a \$43 million break on taxes by suspending the "solvency tax" that was required under state law in order for the state to pay the interest on the federal UI loans. As a result of the amendment to Michigan law, approximately 34,000 businesses that have negative balances in their unemployment experience accounts will now not be assessed the solvency tax in 2009 and 2010.

How will the solvency tax waiver affect employers that were assessed the Solvency Tax on their 2009 tax rate determinations?

Employers that were assessed the solvency tax on their 2009 tax rate determinations will be issued tax rate redeterminations on March 20, 2009, removing the solvency tax. Included with the tax rate redeterminations will be a letter from UIA Director Stephen M. Geskey, explaining why employers are receiving the redeterminations.

What effect does this waiver have on employers who made a voluntary payment?

- Negative-balance employers were given the opportunity to make voluntary payments to bring their experience account balances up to zero or greater and avoid being assessed the solvency tax.
Under Michigan's UI law, a voluntary payment is not refundable. Voluntary payments are credited directly into the employer's experience account. By making the voluntary payment, though, an employer not only became positive, but reduced one of the components of their state unemployment tax rate (the Account Building Component) and this reduced their calculated state unemployment tax rate for 2009.
- In addition, these employers have become eligible for a Michigan FUTA tax credit rebate of up to 50% of the extra federal unemployment tax (FUTA) paid on their federal IRS Form 940.
- The first Michigan FUTA tax credit rebate will be issued in 2011.

Questions?

For more information about the Solvency Tax waiver, employers may call UIA's Employer Customer Relations hotline at 1-800-638-3994 or email TaxSupport@michigan.gov.

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